Personal Taxpayer Series
IR110

Inland Revenue

A guide for people with savings

- how to stop paying tax on your interest
- how to claim tax back

We produce a wide range of leaflets, booklets and Helpsheets, each designed to explain different aspects of your tax or National Insurance in plain English, to assist in the completion of tax returns. Most of them are free and most are also available in Welsh. Some you might find useful are

IR87	Letting and your home
IR89	Personal Equity Plans (PEPs)
IR90	Tax allowances and reliefs
IR114	TESSA Tax free interest for taxpayers
IR121	Income tax and pensioners
IR144	Income tax and incapacity benefit
IR170	Blind person's allowance
IR171	Income tax. A guide for people with children
ISA/1	The answers on ISAs: your guide
CTCR/1	Children's Tax Credit

In addition, we have produced the following leaflets on Self Assessment

SA/BK3	Self Assessment. A guide for keeping records for the self-employed
SA/BK4	Self Assessment. A general guide to keeping records
SA/BK6	Self Assessment. Penalties for late tax returns
SA/BK7	Self Assessment. Surcharge for late payments of tax
SA/BK8	Self Assessment. Your guide.

We have a range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask at your local Inland Revenue office or Enquiry Centre.

Our leaflet IR120 'You and the Inland Revenue' tells you more about the standard of service you can expect from us. It also tells you the steps you can take if you want to make any comments on the service you receive, or complain about the way your tax affairs have been handled.

Our IR List 'Catalogue of leaflets and booklets' gives further information about our publications, most of which you can get from any Inland Revenue Enquiry Centre, Tax Office or National Insurance Contributions Office. Addresses are in your local phone book under 'Inland Revenue'. Most offices are open to the public from 8.30am to 4.30pm, Monday to Friday, and some are also open outside these hours.

Social Security Offices, your local library or Citizens' Advice Bureau may also have copies of our leaflets.

You can also get most of our leaflets by

- calling our Orderline on **0845 9000 404** between 8.00am and 10.00pm, seven days a week (except Christmas Day)
- fax on **0845 9000 604**
- e-mail on **saorderline.ir@gtnet.gov.uk** or
- writing to **PO Box 37, St. Austell, Cornwall PL25 5YN**.

Many leaflets are also available on the Internet at **www.inlandrevenue.gov.uk**

When our offices are closed, you can get general advice on Self Assessment by calling our Helpline, in the evening or at weekends, on **0845 9000 444**.

Helpline and Orderline calls are charged at local rates.

Awarded for excellence

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What is this guide about?

Banks, building societies and local authorities are required to take income tax off the interest they pay to savers. However, people whose taxable income is covered by their tax allowances can register to get their interest 'gross' (that is, without tax taken off). It is also possible to claim tax back from the Inland Revenue if the tax taken off your interest is more than you are due to pay.

This guide is only for people who usually live in the United Kingdom (UK). It explains how to work out if you can

- register to get your interest gross, or
- claim tax back.

It also explains the tax rules about dividends from shares, and income from UK authorised unit trusts or open-ended investment companies.

There is a special section on children's savings.

Please read this guide carefully to make sure you are paying the right amount of tax. We want you to pay only what is due.

What you can do depends on your own circumstances. If you are in any doubt about anything in this guide, or if you need any help, please do not hesitate to get in touch with us.

Ring or call in at any Inland Revenue Enquiry Centre or Tax Office. Details of addresses are in your phone book under 'Inland Revenue' or on the Internet at www.inlandrevenue.gov.uk/local

This guide does not include information about

- Personal Equity Plans (PEPs)
- Tax Exempt Special Savings Accounts (TESSAs), or
- Individual Savings Accounts (ISAs).

See our leaflets IR89 'Personal Equity Plans (PEPs)', IR114 'TESSA. Tax free interest for taxpayers' and ISA/1 'The answers on ISAs: your guide' for details of these schemes.

What income does it cover?

Interest on bank, building society and local authority savings

As a general rule, banks, building societies and local authorities have to take income tax off your interest before they pay it to you. From 6 April 1996 they have taken tax off at the lower rate of 20 pence in the £. The interest you get is the amount left after that tax has been paid. Only higher rate taxpayers have to pay more tax on their interest.

If you should not be paying tax on your interest, you might be able to

- fill in a form that tells your bank, building society or local authority to stop taking tax off your interest. You can do this only if all your income (including your interest and any pension) is covered by your tax allowances, or

- claim tax back from the Inland Revenue. You can do this if tax has been taken off your interest that you didn't need to pay.

Dividends from shares

For individuals, dividend income is taxed at 10% up to the basic rate limit, which for tax year 2000-2001 is £28,400, and at 32.5% above that.

If you have shares in a company, when you get your dividend cheque you also get a tax credit voucher. This shows the amount of the dividend payable and the amount of the tax credit that goes with that dividend. (Your income for tax purposes is the dividend plus the tax credit.)

The tax credit is not tax deducted on your behalf, but it represents the fact that the company paying the dividend has paid tax on the profits used to pay the dividend. The tax credit, which is 10% of the dividend income, can be set against your tax liability on the dividend.

For dividends paid up to 5 April 1999 you may be able to claim payment of the tax credit, depending on your income. **Tax credits on dividends paid after 5 April 1999 cannot be claimed.**

Foreign income dividends (abolished from 6 April 1999) do not carry a tax credit. Instead, the voucher will show income tax treated as paid on the dividend. You cannot claim back income tax that is treated as paid on a foreign income dividend.

Income from UK authorised unit trusts and open-ended investment companies

UK authorised unit trusts and open-ended investment companies can pay either

- dividends, or
- interest.

Up to the 5 April 1999 they could also pay foreign income dividends.

Dividends paid by UK authorised unit trusts and open-ended investment companies are treated in exactly the same way as dividends from shares.

Interest distributions paid by UK authorised unit trusts and open-ended investment companies are treated in exactly the same way as interest on bank, building society and local authority savings. But, if you are resident in the UK, you cannot arrange for your interest to be paid without tax being taken off.

Who needs to pay tax on income from savings?

Whether you need to pay tax at all depends on how much taxable income you have.

Your income includes

- wages
- pensions
- interest on your savings
- dividends from shares
- income from UK authorised unit trusts or open-ended investment companies.

The amount of income you can have before you start to pay tax depends on your tax allowances. Everybody gets at least one allowance – the personal allowance. This is an amount of income you can receive without having to pay any tax.

The personal allowance

There are three different amounts of personal allowance. You can qualify for the higher amounts if you are aged 65 or over.

For the tax year 2000-2001, the amounts are

- £4,385 if you are under the age of 65
- £5,790 if you are aged 65 to 74
- £6,050 if you are aged 75 or over.

Whether you are entitled to all or part of the higher amounts depends on your income but, no matter how large your income, you will still get the basic personal allowance given to people aged under 65.

If your income from all sources in a tax year does not exceed your personal allowance, you do not have to pay any income tax. You can apply to receive your interest without tax taken off. You may be able to have more income in a year without paying tax if you are entitled to other tax allowances.

Am I entitled to any other allowances?

You may be. It depends on your personal circumstances.

The blind person's allowance

Like the personal allowance, the blind person's allowance allows you to receive an amount of income without having to pay tax. It is an extra amount, which is added to your personal allowance. The amount of the blind person's allowance is the same for everyone who can claim it, whatever their age or their level of income. In 2000-2001 the amount is £1,400.

You can claim the blind person's allowance if

- you are registered as blind with a local authority in England or Wales, or
- you live in Scotland or Northern Ireland and your eyesight is impaired to the extent that you are unable to perform any work for which eyesight is essential.

If you think you might be eligible to claim this allowance, contact your local Tax Office. More information can be found in our leaflet IR170 'Blind person's allowance'.

The married couple's allowance

Up to the tax year 1999-2000, any married couple living together could claim the married couple's allowance. But, from 2000-2001 the married couple's allowance can only be claimed by couples in which at least one partner was 65 or more on 5 April 2000.

The married couple's allowance is restricted to give relief at a fixed rate - 10%. This means that, unlike the personal allowance, the married couple's allowance is not income you can receive without having to pay tax. Instead, it reduces your tax bill by up to a set amount. This amount is calculated as 10% of the amount of the allowance you are entitled to.

In 2000-2001, there are two levels of married couple's allowance. The allowance is reduced if the husband has income above £17,000, but cannot be less than the minimum amount of £2,000 at 10%.

For the tax year 2000-2001, the amounts are

- £5,185 at 10% - if either you or your spouse was aged at least 65 on 5 April 2000 but under 75 (so the allowance is worth up to £518.50 off your tax bill)

- £5,255 at 10% - if either you or your spouse are aged 75 or more (so it is worth up to £525.50 off your tax bill).

Allowances that have been withdrawn

As part of the package of income tax reform introduced from 6 April 2000, the allowances that have been withdrawn are

- married couple's allowance, for couples under the age of 65 (see above)

- additional personal allowance, and

- widow's bereavement allowance, for deaths that occur after 5 April 2000.

The additional personal allowance

For years up to and including 1999-2000, you might be able to claim additional personal allowance if you had a qualifying child living with you for at least part of the year and you were

- unmarried

- separated or divorced

- a widow or widower, or

- married with a spouse who was unable to look after him or herself at all, for the whole of the tax year, because of illness or disability.

The child must be

- your own child, step-child, or a child you had legally adopted before he or she reached 18, or

- a child you looked after at your own expense, and who was under 18 at the beginning of the tax year (6 April).

Children who were 16 or more at the start of the tax year must have been in full-time education or training.

The additional personal allowance was given in the same way as married couple's allowance. Whatever your level of income, it reduced your tax bill by up to a set amount (£197 in 1999-2000).

The widow's bereavement allowance

If your husband died before 6 April 2000, you could receive the widow's bereavement allowance in the year of his death, provided you were living with him at some time during the year.

You were also entitled to this allowance in the following year unless you remarried before the start of the tax year. Women who were widowed in the tax year 1999-2000 keep their allowance in 2000-2001, unless they remarried before 6 April. The allowance cannot be claimed for deaths that occur after 5 April 2000.

The widow's bereavement allowance worked in the same way as the married couple's allowance. Whatever your age or level of income, it reduced your tax bill by up to a set amount (£200 in 2000-2001).

New tax allowance

Children's Tax Credit

From April 2001, the new Children's Tax Credit will be introduced for families with a child under 16 living with them. It will be worth up to £442 a year off the family's tax bill and can be claimed by married, or unmarried, couples and by lone parents. The credit is gradually withdrawn from families with a higher rate taxpayer. For more information, please ask for our leaflet CTCR/1 'Children's Tax Credit'. If your family has not had a claim form for the credit and you think you may be eligible, please contact your Tax Office.

What income is taxable?

Not all the income you receive is taxable.

The main things you need to include in working out your taxable income are

- interest from a bank, building society or local authority. This should be the gross figure, that is, before any tax deductions
- interest from National Savings investments
- dividends from shares. Remember to add on any tax credits to the dividends
- income from UK authorised unit trusts and open-ended investment companies. Remember to add on any
  - tax credits to dividends, and
  - income tax taken off interest
- state retirement (old age) pension
- widow's pension
- most other state pensions - but not war pensions
- private pensions* ie pensions from previous employers, personal pensions, retirement annuities, and Free-Standing Additional Voluntary Contribution Schemes (FSAVCs)
- earnings from a job or self-employment*
- job seeker's allowance
- statutory sick pay - usually paid by your employer but sometimes paid by the Department of Social Security
- maternity pay
- widow's benefits

- invalid care allowance and invalidity addition paid with a retirement pension
- incapacity benefit - all benefit paid in respect of new claims from 13 April 1995 (except benefit paid during the first 28 weeks of incapacity)
- widowed mother's allowance and widow's allowance
- student's earnings - but not student's grants and loans
- rent from letting property or rooms - but if you let rooms in your home the rental income may not be taxable (For more information see our leaflet IR87 'Letting and your home'.)
- income from trust funds
- income from outside the UK
- your share of any joint income.

*Don't forget to add on any tax taken off. Your employer (or former employer) should send you a form P60 every year which shows your earnings (or pension) and any tax taken off.

If you are in any doubt, please ask any Inland Revenue Enquiry Centre or Tax Office. Details are in your phone book under 'Inland Revenue' or on the Internet at www.inlandrevenue.gov.uk

What income is not taxable?

You are not taxed on all of your income, so when you are working out your taxable income you do not have to include

- cold weather payments
- widow's payment
- incapacity benefit paid for the first 28 weeks of sickness
- incapacity benefit paid to someone who was receiving invalidity benefit paid before 13 April 1995, provided there has not been a break of more than 8 weeks in the claim
- attendance allowance and disability living allowance
- war disablement pension
- war widow's pension
- income support (except where claimed by strikers in respect of adult dependants)
- income from tax-free National Savings investments such as Savings Certificates or the first £70 of interest on an ordinary account with the National Savings Bank
- interest, dividends and other income from investments held in a Personal Equity Plan (PEP)* (if you receive interest on cash deposited in a PEP, you should include any such interest you withdrew during the year if it was more than £180)
- interest, dividends, and bonuses from a Tax Exempt Special Savings Account (TESSA)*, unless you closed it before the five years were up
- interest, dividends and other income from an Individual Savings Account (ISA)*
- interest and terminal bonuses under Save As You Earn schemes
- Premium Bonds, National Lottery winnings or gambling prizes.

*See our leaflets IR89 'Personal Equity Plans (PEPs)', IR114 'TESSA. Tax free interest for taxpayers' and ISA/1 'The answers on ISAs: your guide' for more details.

How do I work out my 'taxable income'?

You need to know what things to include.

The first step is to work out your total 'gross' interest. You do this by adding together all the taxable interest you get. If tax has been taken off you must add it back. For example, if you get £80 interest from a savings account and £20 tax has already been taken off, the 'gross' interest on the account is £80 + £20 = £100.

If no tax has been taken off your interest, then what you receive is gross interest.

To work out your total gross interest, add up all the interest credited to your account(s) in the tax year (from 6 April to the following 5 April).

The second step is to add your total 'gross' interest to all your other income (including any pensions), adding on any tax that has been taken off it to get the 'gross' income for the year. For dividends, you take the amount you receive and add on the tax credit. This gives you the amount of your total taxable income. Filling in the table below will help you.

	Amount received	Tax (or tax credit)	Gross amount
Interest			
Dividends			
State pension			
Other pensions			
State benefits			
Earnings			
Any other income			
	Total taxable income		

If your total taxable income is covered by your personal allowance (see page 4), plus any other allowances that you may be entitled to (see page 5), then you should not be paying any tax.

See page 15 about getting your interest without tax taken off in future, and page 19 about claiming back any tax already taken off which you are not due to pay.

However, if your total taxable income is slightly more than the amount covered by your personal allowance, plus any other allowances that you may be entitled to, then see page 18 about what to do next and the question 'What if my taxable income is slightly more than the amount covered by my tax allowances?' on page 26.

Registration form R85

Registration form R85

How do I get my interest in future without tax taken off?

If you have worked out that your taxable income is less than the amount you can have before you start to pay tax, you should arrange for your bank, building society or local authority to pay your interest without tax taken off. However, if you are resident in the UK you cannot arrange for your interest from a UK authorised unit trust or open-ended investment company to be paid without tax taken off.

Registration form R85

Ask your bank, building society or local authority for a **Registration form R85** or use the form opposite. (The form R85 is also available in a large print version.) Once you have completed the form, hand it in, and you will then start to get your interest 'gross' - that is, without tax taken off. This is known as 'registering'. It is important that you complete the form in full. Until you do this, interest cannot be paid gross.

You can register more than one account with the same bank, building society or local authority, on a single Registration form, providing the account numbers are shown clearly in the boxes provided. But if you open a new account, and you are still entitled to gross interest, you must complete a separate form R85 for the new account.

If the account is held in more than one name (including accounts in the name of husband and wife) you will be able to register only if

- each person registers, or
- the bank, building society or local authority will allow both net and gross account holders on the same account.

Before you can register any account you must expect the 'gross' interest from all your accounts, plus any other taxable income you get, including pensions, to be fully covered by your tax allowances.

If you are in doubt, please ask any Inland Revenue Enquiry Centre or Tax Office for help or call the Inland Revenue Registration Helpline on 0845 9800 645. Your call will be charged at local rates.

What if my circumstances change after I've registered?

If for any reason your circumstances change, you may have to start paying tax. Remember that both your income and your tax allowances can change from year to year, so you may find that your taxable income is no longer fully covered by your tax allowances.

If this happens after you have registered to get your interest 'gross' (that is, without tax taken off), you must tell your bank, building society or local authority, in writing, to cancel your registration. They will then take tax off your interest before you get it. You must also tell your Tax Office if you think that you should have paid tax after all, and you have been getting interest 'gross'.

You can remain registered to get your interest 'gross', only so long as your taxable income is fully covered by your tax allowances (ie. if your taxable income is less than the amount you can have before you start to pay tax).

If your savings increase or you start to receive income from a new source, for example, if you start getting a pension, including a state retirement pension, or you take up a job or start up in business, you may no longer be entitled to have your interest paid gross. It is very important to check that your taxable income is covered by your tax allowances from one year to the next. For more information about your tax allowances see page 4.

The chart opposite will help you to up-date the figures you first worked out for your total taxable income on page 11.

If you are in doubt about what to do, please ask any Inland Revenue Enquiry Centre or Tax Office for help, or call the Inland Revenue Registration Helpline on 0845 9800 645. Your call will be charged at local rates.

	Gross amounts		
	2000-2001	2001-2002	2002-2003
Interest			
Dividends			
State pension			
Other pensions			
State benefits			
Earnings			
Any other income			
Total taxable income			

What if my taxable income is not fully covered by my tax allowances?

If you find that your taxable income is not fully covered by your tax allowances, you may still be able to claim back some of the tax that has been taken off your interest. This can happen if the tax taken off your interest is more than the tax you have to pay for the whole year on all your income.

Since 6 April 1999 the 10 pence rate of income tax (10% starting rate) applies to bank and building society interest. So, if you are due to pay some tax, regardless of whether you have income from savings, earnings, or a pension, you can enjoy the benefit of the 10 pence rate on the first £1,500 of your income in 1999-2000 and £1,520 in 2000-2001.

Savings income above the 10 pence rate band (£1,500 in 1999-2000 and £1,520 in 2000-2001), but within the basic rate band, will continue to be taxed at the lower rate of 20 pence in the £ (20%).

If you do not pay tax at the higher rate there will be no further tax to pay on your interest, that is, if your total income, after your personal allowance and any blind person's allowance has been deducted, does not exceed £28,400 in 2000-2001.

Some examples of people who can claim tax back because the tax taken off their interest is more than they are due to pay are shown on pages 35-47.

You might also be able to claim tax credits on any dividends paid up to 5 April 1999, although you may not be able to claim them all. **Tax credits on dividends paid after 5 April 1999 cannot be claimed.**

For more information about the 10 pence rate of income tax please contact an Inland Revenue Enquiry Centre or Tax Office. Addresses are in your local phone book under 'Inland Revenue' and on the Internet at **www.inlandrevenue.gov.uk/local**

How do I claim tax back?

Repayment Claim form R40(2000)

If you know which Tax Office deals with your affairs, and you haven't received a Repayment Claim form, you should complete a form **R40(2000)**. You can get this form from any Inland Revenue Enquiry Centre or Tax Office, together with guidance notes on how to complete it. Once you have completed the form, send it to your Tax Office.

If you already receive a Repayment Claim form each year, your Tax Office will continue to send you a form automatically. All you have to do when you receive the form is fill it in and send it back.

If you don't know where your Tax Office is, look at the list at the end of this guide. It shows which areas are dealt with by the Inland Revenue Offices (IROs) that specialise in repayment claims. Complete the form R40(2000) and send it to the IRO that handles claims for your area. For example, if you live in Norfolk, send the form to Leicester 7. The IROs address list is on page 50.

Certificates and bank statements

You will need to keep any certificates or bank statements showing the amount of tax taken off your interest to help you complete the Repayment Claim form.

Some banks and building societies automatically issue certificates showing the amount of tax taken off your interest. If yours does not automatically issue certificates, you can get one by writing to the branch where your account is held. You should keep all these certificates, or your bank or building society statements, in a safe place as you will need them to make a claim.

Companies that pay you dividends automatically send you a certificate (sometimes called a tax credit voucher), which shows the dividend and any tax credit. Again, you should keep all these certificates.

Another reason why you should keep your certificates (or other records) in a safe place is that we may ask to see them to check the accuracy and completeness of your claim. All claims are checked, but we will only ask to see certificates (or other records) in a certain proportion of claims. If this is the case, **please send us the original certificates, not photocopies.**

How long should I keep the certificates?

Typically, you should keep the certificates (or other records) for about two years from the end of the tax year for which your claim is made, as you may be liable to a penalty if you do not do so. If you have lost your certificates or statements, ask your bank or building society for duplicates (though they might charge for these).

How long does it take for a repayment to be made?

Even if we carry out a more detailed check, there is no presumption that anything is wrong with your claim. Indeed, we will normally repay the amount claimed before writing to you to check the information on which the claim is based.

We will do all we can to send repayments out as quickly as possible, but we may not be able to avoid some delay, especially during April to September when most people send us their claims.

Children's savings

Children, like adults, are allowed to have a certain amount of income before they need to start paying tax. They are entitled to the same personal allowance as other people. So, for the tax year 2000-2001, they can claim back the tax on their savings income if their total taxable income is less than £4,385.

Children under 16 in Scotland or under 18 in England, Wales and Northern Ireland cannot apply personally to get their tax back. It's up to a parent, guardian or trustee to do it for them.

When it comes to registering with a bank or building society to have the interest on a child's account paid without tax taken off, children under 16 cannot register themselves. A parent or guardian must complete the form R85 with the child's details and sign it on his or her behalf. If the child's account is in the name of someone else (for example, a grandparent) the form must still be signed by the child's parent or guardian.

If the child's total income, including interest, is expected to be less than the personal allowance, interest can be paid gross (that is, without tax taken off) until 5 April following the child's 16th birthday.

Be careful. There are special rules if the savings (including units in unit trusts and shares in open-ended investment companies) have been given by a parent. If gifts from a parent produce more than £100 gross income a year, the whole of the income from the gifts is normally taxed as that parent's income. A child cannot get back any of the tax on that income. Nor can interest paying account(s) be registered to have interest paid without tax taken off.
The £100 rule applies separately to each parent.

Example

Mary Banks, aged 14, has £7,200 in her building society account. Her father had given her £2,400, her mother £1,200 and her uncle £3,600. The interest on the gift from her father comes to more than £100, so Mary's parents cannot register her account to get interest without tax taken off.

The interest Mary gets and the amount of tax that can be claimed back are

Father's gift

Her father's gift of £2,400 produced net interest	
(that is, after tax was taken off) of	£88
The amount the building society took off for tax was	£22
The gross interest is	£110

As the gross interest is over £100, none of that £22 can be claimed back. The interest is treated as income of Mary's father and taxed accordingly.

Mother's gift

Her mother's gift of £1,200 produced net interest	
(that is, after tax was taken off) of	£44
The amount the building society took off for tax was	£11
The gross interest is	£55

As the gross interest is under £100, Mary's parents can claim back for her the £11 that was taken off.

Uncle's gift

Her uncle's gift of £3,600 produced net interest	
(that is, after tax was taken off) of	£132
The amount the building society took off for tax was	£33
The gross interest is	£165

As people other than parents are not affected by the £100 gift rule, Mary's parents can claim back for her the £33 tax that was taken off the interest from her uncle's gift.

The total Mary's parents can claim back for her is therefore £44 (£11+£33).

If a child under 16 has other savings income, the £100 limit on gifts from the same parent applies to the total gross savings income on all gifts from that parent. This applies even if the money is spread across more than one bank or building society account or other savings.

UK authorised unit trust and open-ended investment company savings

Many UK authorised unit trusts and open-ended investment companies allow children to hold units or shares in a designated account. This simply means that the units or shares are held in the name of the parent or other guardian but designated with the child's initials. The units or shares and any income still belong to the child. The £100 rule for savings income applies.

What happens when a child becomes 16?

A registration made for a child's account will allow interest to be paid without tax taken off only until 5 April following the child's 16th birthday.

If a child does not expect to have to pay income tax after that date - because his or her income will still be less than the personal allowance - he or she can register personally for interest to continue to be paid without tax taken off. This is known as 're-registering' and it can be done at any time in the tax year in which the child will reach 16. (A tax year runs from 6 April in one year to 5 April in the next.)

If the account is not held in the child's name, for example, if it is in the name of a parent or grandparent, it must be transferred into the child's own name in time for the first interest payment in the tax year following the child's 16th birthday.

The £100 rule continues to apply to young people until they reach 18 or marry. They cannot normally register an account to get interest without tax taken off if it includes gifts from a parent which, alone or when added to other gifts from the same parent, will produce more than £100 income a year.

Your questions answered

Here are the questions we are most often asked (some of the answers have already been partly covered). If you want to talk to someone about them, or you have any other queries, please contact any Inland Revenue Enquiry Centre or Tax Office. The address and telephone number of your nearest one is in your local phone book under 'Inland Revenue' and on the Internet at **www.inlandrevenue.gov.uk/local**

For which years can I claim back tax on my bank or building society interest?

Self Assessment was introduced from 6 April 1996.

For the tax years before Self Assessment was introduced, you have up to six years to claim tax back. For example, if you have paid more tax than you need to for the tax year 1994-1995, you have until 5 April 2001 to claim tax back. You are not able to claim back tax for the years before 1994-1995.

Under Self Assessment you have only 5 years and 10 months to claim tax back. For example, if you have paid more tax than you need to for the tax year 1996-1997, you have until 31 January 2003 to claim tax back.

What about dividends?

On dividends paid **up to 5 April 1999**, you can claim some or all of the tax credit you receive with your dividends from shares if the amount of the tax credit is more than the tax you have to pay for the year.

The time limits for making the claim are the same as for bank and building society interest (see the previous answer).

Tax credits on dividends paid after **5 April 1999** cannot be claimed.

Can I claim tax back for someone else?

You can claim tax back on behalf of someone else if you

- are the parent, guardian, or trustee of an account holder who is a minor (that is, under 18 in England, Wales and Northern Ireland, and under 16 in Scotland)
- have power of attorney for the account holder

- are a receiver or person appointed by any court in the UK to handle the affairs of an account holder who is incapable of managing his or her own affairs

- are the next of kin of an account holder who is incapable of managing his or her own affairs*

- have been appointed by the Department of Social Security to claim or receive benefits on behalf of an account holder who is incapable of managing his or her own affairs*.

In some circumstances you can claim tax back if

- you are the relative of an account holder who would have difficulty making a claim, for example, an elderly person in poor health.

In any of these cases, do not complete the Repayment Claim form R40(2000) but contact the Inland Revenue Office (IRO) that specialises in repayment claims, or your nearest Inland Revenue Enquiry Centre or Tax Office.

If you don't know which IRO to contact, look at the list on pages 48 and 49 to see which IRO deals with your area, and then look at page 50 to get their address or telephone number.

If you know which IRO or Tax Office deals with the account holder's affairs, then contact that one. Whichever office you contact, they will need to know

- the name, address and date of birth of the person on whose behalf you are claiming

- the reason why he or she cannot claim personally

- your name and address.

*There is a limit to how much tax you can claim back if you are the account holder's next of kin or a DSS appointee. The Tax Office you contact will let you know what the limit is.

Can I sign the form R85 on behalf of someone who is incapable of managing his or her own affairs because they are mentally incapacitated?

Yes. But, you can only sign the form R85 on behalf of someone who is incapable of managing his or her own affairs if you are

- their parent, guardian, spouse or child aged 16 or over
- a receiver or person appointed by any court in the UK to handle their affairs
- a person appointed by the DSS to claim and receive benefits on their behalf, or
- a person holding power of attorney on their behalf.

What if my taxable income is slightly more than the amount covered by my tax allowances?

If your total taxable income is slightly more than the amount covered by your tax allowances you will not be able to register your account(s) to receive interest without tax being taken off.

In these circumstances your bank or building society will deduct tax from any interest payments it makes. If, as a result, you have paid more tax than you are due to pay you can claim back some of it by completing the Repayment Claim form R40(2000).

How might the 10 pence rate of tax for savings income affect my tax liability?

The following example shows how the 10 pence rate change for savings income can affect an individual's tax liability.

A taxpayer's only income is bank interest of £5,000, from which the bank has deducted tax of £1,000. The taxpayer's personal allowance was £4,195 in 1998-1999, £4,335 in 1999-2000 and is £4,385 in 2000-2001, and they are not entitled to any other tax allowances.

For 1998-1999

Gross bank interest	£5,000	Tax taken off at 20%	£1,000
Total income	£5,000		
Less personal allowance	£4,195		
	£805	Tax due at 20%	£161
		Tax overpaid	£839

For 1999-2000

Gross bank interest	£5,000	Tax taken off at 20%	£1,000
Total income	£5,000		
Less personal allowance	£4,335		
	£665	Tax due at 10% on first £1,500	£66.50
		Tax overpaid	£933.50

For 2000-2001

Gross bank interest	£5,000	Tax taken off at 20%	£1,000
Total income	£5,000		
Less personal allowance	£4,385		
	£615	Tax due at 10% on first £1,520	£61.50
		Tax overpaid	£938.50

How will the 10 pence rate of tax affect me?

We will tax your interest at the 10 pence rate of income tax, if appropriate, when we next calculate your tax bill or final repayment if you

- are within Self Assessment and receive a tax return each year, or
- make an annual claim to us for a repayment of tax.

If you have had untaxed interest taken into account in your PAYE code you should contact your Tax Office. We may need to adjust your code.

If you do not normally complete Self Assessment tax returns or make annual claims you may now be able to make an annual claim for repayment of tax. For more information about the 10 pence rate please contact an Inland Revenue Enquiry Centre or Tax Office.

What should I do if I have already received a final repayment of tax?

If you have already received a final repayment of tax for the tax year starting 6 April 2000 and think you may benefit from the 10 pence rate on your interest, then you should contact the Tax Office that dealt with your claim.

When can I make a claim to get tax back?

That depends on the amount you are claiming, and whether you also register for gross interest - see the question 'When I register, should I also claim back tax already paid that year?' on page 30.

If you are claiming back £50 or less, you should apply at the end of the tax year (5 April). If the amount is more than £50, you can claim it back during the tax year. Either way, you'll receive your money by cheque once we have received your completed Repayment Claim form R40(2000).

Can I claim tax back on savings held jointly?

Yes. You can claim for tax to be repaid to you on your share of income from savings held jointly with someone else. But, if you are both entitled to a repayment you must make separate claims.

Can I register for 'gross' interest?

You can register for interest to be paid 'gross', that is, without tax taken off if you

- are the account holder, you are 16 or over, and the money belongs to you
- are the parent or guardian of an account holder under 16 years of age
- have power of attorney for the account holder
- are the parent, guardian, spouse, or child aged 16 or over, of a person who is incapable of managing his or her own affairs
- are a receiver or person appointed by any court in the UK to handle the affairs of a person who is incapable of managing his or her own affairs
- have been appointed by the Department of Social Security to claim or receive benefits on behalf of a person who is incapable of managing his or her own affairs.

Remember, you can register only if the total taxable income of the person entitled to the interest - you, or, if you are doing it for someone else, the person on whose behalf you are acting - is covered by his or her tax allowances.

You cannot register

- accounts that include gifts from a parent which, either alone or when added to all other gifts from the same parent, produce more than £100 income a year, or
- for interest distributions from UK authorised unit trusts and open-ended investment companies to be paid without tax taken off.

If you are in any doubt, don't register.

Ask any Inland Revenue Enquiry Centre or Tax Office for help first, or call the Inland Revenue Registration Helpline on **0845 9800 645. Your call will be charged at local rates.**

The Registration form asks for my National Insurance number. Where can I find it?

You need your National Insurance (NI) number only if you have been employed or self-employed in the UK in the last three years.

Your NI number looks similar to this - AB 12 34 56 C.

Some of the places you will find it are on

- your pension book
- form P45 or P60, or a letter from the Tax Office
- a payslip
- a letter from the Department of Social Security
- a letter awarding job seeker's allowance.

If you have worked in the UK in the last three years but you cannot find your NI number, leave the box on the Registration form blank. Complete the rest of the form and send it to

Inland Revenue
NINO Tracing
FREEPOST
Bootle L69 9HA

The NI number (or official stamp) will be entered on the form, which we will return to you to give to your bank or building society. This service is available only for Registration form R85.

If I have several accounts, can I register just one account for gross interest?

If your taxable income, including any pension and income from all your savings, is fully covered by your tax allowances, you can register all your accounts to receive gross interest.

If your taxable income is **not** fully covered by your tax allowances, you cannot register any account. Instead, you can claim back some of the tax taken off your interest, if it is more than the amount you should have to pay for the year, by completing the Repayment Claim form R40(2000).

If I have a joint account, say with my husband or wife, can I register for gross interest?

Yes. If neither of you has to pay tax, you should each complete a Registration form R85. It will help your bank, building society or local authority if the forms are sent together.

However, if one of you doesn't have to pay tax but the other does, then it depends on whether your bank, building society or local authority will allow part of the interest to be paid net and part gross on the same account. If it doesn't, you can still claim tax back from us in the usual way.

When I register, should I also claim back tax already paid that year?

When you complete a Registration form R85, some banks, building societies and local authorities may pay back tax already taken off your interest during that tax year. For example, your building society interest might be credited to you on

31 December 2000 with tax already taken off. If you hand in the Registration form to the building society before 5 April 2001 you might be able to get the tax back from them. You would not then need to apply to us to get the tax back.

If your bank, building society or local authority doesn't give you this tax back, you can claim it back from us by completing the Repayment Claim form R40(2000).

How often do I need to complete a Registration form R85?

You normally have to complete only one form for accounts held with the same bank, building society or local authority or when a new account is opened (though children have to register in their own right to continue getting gross interest after their 16th birthday). Registration then continues indefinitely unless you or we cancel it.

You can get more Registration forms from your bank, building society or local authority or from any Inland Revenue Enquiry Centre or Tax Office.

Can I register to have dividends paid 'gross'?

No. Unlike bank and building society interest and local authority bonds, you cannot register to have dividends paid 'gross'.

What happens if I have an account earning interest, which won't be paid until the next tax year?

You do not have to include the gross interest earned this year when working out your taxable income. Your interest is taxable in the tax year that it is paid to you, or credited to your account, even if part of it has been earned in the previous tax year.

How is interest taxed if a person with a bank or building society account dies?

Interest is taxable when it is paid or credited to an account.

When people die, interest credited to their account **before** the date of death is treated as their income. The personal representatives (executors) can claim tax back if the tax taken off that interest was more than the person who has died was due to pay.

Interest credited to someone's account **after** the date of death is the income of the deceased person's estate. The personal representatives, who administer the estate, cannot normally claim tax back on this interest. However, if they make payments to

beneficiaries who are entitled to the income of the **residue** of the estate, then these payments may be treated as made after deduction of tax at the lower rate (20%). The personal representatives can provide a certificate showing how much tax is involved.

A beneficiary who is a non-taxpayer may be able to claim back the tax. The amount of tax that can be claimed will depend on the total taxable income of the beneficiary (see page 11) and the amount of his or her allowances.

Where there is more than one beneficiary entitled to the income of the residue of the estate, each one is treated as receiving his or her share of the income and may be able to claim tax back on the share, depending on the particular circumstances.

What can I do if I want to comment about the way my tax affairs have been dealt with?

We always value any comments on the service you have received from your Inland Revenue Enquiry Centre or Tax Office. We welcome any suggestions that could improve the service we provide for you.

If you have a complaint which the Officer in Charge of your own Tax Office cannot settle, you should contact the Inland Revenue Director responsible for the area dealing with your tax affairs. Our leaflet IR120 'You and the Inland Revenue' tells you how to do that. It is available from any Inland Revenue Enquiry Centre or Tax Office.

If you are not satisfied with the Director's response, you can ask the Adjudicator to review your complaint. The Adjudicator is an impartial referee who will look at both sides of the complaint and, if it cannot be resolved, will recommend appropriate action. The Adjudicator's recommendations are independent.

The Adjudicator's address is

The Adjudicator's Office
Haymarket House
28 Haymarket
London
SW1Y 4SP

Tel: 020 7930 2292 (Typetalk facilities are available)
Fax: 020 7930 2298

You can also contact the Adjudicator by e-mail at **adjudicators@gtnet.gov.uk** or visit the website at **www.open.gov.uk/adjoff**

The Adjudicator's Office leaflet AO1 (available from the Adjudicator's Office and Inland Revenue offices) tells you how to make a complaint and gives information on what the Adjudicator can look into.

If you are not satisfied with the service you have received from us or from the Adjudicator, or with the outcome of your complaint, you can ask an MP to refer your case to the Parliamentary Ombudsman. The Ombudsman will accept referral from any MP, but you should approach your own MP first.

Further information is available from

Office of the Parliamentary Commissioner for Administration
Millbank Tower
Millbank
London
SW1P 4QP

Helpline: 020 7217 4163
Fax: 020 7217 4160

Or contact the Parliamentary Ombudsman by e-mail at **opca-enqu@ombudsman.org.uk** or visit the website at **www.ombudsman.org.uk**

You can also ask your MP to take up your case with the Inland Revenue or Treasury Ministers.

How to help us improve our overall service

We welcome any general comments you have on how to improve our service to all our customers.

Examples

In these examples the figures are for the **tax year 2000-2001** unless otherwise stated. Examples 1-4 cover single people and 5-10 cover married couples.

Reminder notes for tax year 2000-2001

- **tax allowances**

Personal allowance (age under 65)	£4,385
Personal allowance (age 65-74)	£5,790
Personal allowance (age 75 and over)	£6,050
Married couple's allowance (age 65-74)*+	£5,185
Married couple's allowance (age 75 and over)*	£5,255
Married couple's allowance, minimum amount*+	£2,000
Income limit for age-related allowances	£17,000

*Relief is restricted to 10% of the allowance.
+One of the spouses must be aged at least 65 on 5 April 2000.

- **rates of tax**

Tax is paid at the rate of 10% on the first £1,520 of taxable income. It is then charged on the next £26,880 (£28,400 basic rate limit less £1,520) at different rates depending on the type of income.
For income such as pensions and wages the rate is 22%.
For savings income (e.g. interest) the rate is 20%.
Dividend income is taxed at 10% up to the basic rate limit, and at 32.5% above that.
Tax is paid at the higher rate of 40% on taxable income over £28,400.

Example 1

Anne Smith is aged 66 and lives on her own. She has £10,000 in a building society account which she has not registered to get her interest paid gross, that is, without tax taken off, because she didn't know she could.

Someone has told Anne that, because her income is small, she can probably claim back the amount of tax that has been taken off her interest. First, Anne needs to work out what her total taxable income is likely to be. To do this, she needs to add in the amount that was taken off her interest for tax.

Gross building society interest (that is, before tax is taken off)	£700	Tax taken off at 20%	£140
Plus, other annual income (including pension money)	£4,220		
	£4,920		

As a woman of 66, Anne's personal allowance is £5,790, so she can have income up to that amount without paying tax. As her income is less than her personal allowance, she can fill in the Registration form R85 in this guide, hand it in at her building society, and they will stop taking tax off her interest. They may also be able to repay any tax already taken off in the year.

If the building society can't repay the tax already taken off in the year, Anne should also fill in the Repayment Claim form R40(2000), which (with guidance notes on how to complete it) she can get from any Inland Revenue Enquiry Centre or Tax Office. She should send it to her Tax Office and she will get back the £140 taken off.

She can also claim tax back for the last five years if her circumstances were more or less the same.

Example 2

Jeremy Walters is a single man aged 76 who has a state pension and a small pension from his former employer. Added together, his pensions come to £5,300. He also has £1,000 bank interest, from which the bank has taken off tax at 20%. Jeremy's total taxable income comes to slightly more than his personal allowance. He is liable to pay tax at only the 10% starting rate on the first £1,520 of income above his allowances.

As more tax has been taken off his bank interest than he is due to pay, he can claim back some of the tax. Jeremy's personal allowance is £6,050, which he can set against his income as follows

Gross bank interest			
(that is, before tax is taken off)	£1,000	Tax taken off at 20%	£200
Plus pensions	£5,300		
Total income	£6,300		
Less his personal allowance	£6,050		
Amount taxable	£250	Tax due at 10%	£25
		Tax overpaid	£175

Jeremy can claim back £175 by completing a form R40(2000), which (with guidance notes on how to complete it) he can get from any Inland Revenue Enquiry Centre or Tax Office. He should send the completed form to his Tax Office.

Example 3

Hazra Patel has income of £4,000 from her part-time job, dividends on some shares of £750 and interest from a building society account of £600. When she works out what her taxable income is, she must add to it what has already been taken off for tax and the tax credits on her dividends. See page 34 for the rates of tax for dividends.

Hazra is 37 and entitled to a personal allowance of £4,385.

Is she due any tax back in 2000-2001?

The earnings, dividends and bank interest total £5,350. If we subtract the personal allowance from this it leaves £965. Hazra should be taxed at the starting rate of 10%, but has paid tax on her bank interest of 20%. The tax credits paid on the dividends cannot be claimed. Her income is calculated as follows

Earnings	£4,000			
Dividends and tax credit	£750	Tax credits		£75
Gross building society interest (that is, before tax is taken off)	£600	Tax taken off at 20%		£120
Total income	£5,350			£195
Less her personal allowance	£4,385			
Amount taxable	£965	Tax due at 10%		£96.50
		Covered by		
		• tax credits	£75	
		• tax on building society interest	£120	£195
		Tax overpaid		£98.50

Hazra has overpaid £98.50 on her building society interest and can claim this back.

Hazra cannot ask for her building society interest to be paid gross, as her taxable income is not fully covered by her tax allowances. She can make an initial claim by using the Repayment Claim form R40(2000), which (with guidance notes on how to complete it) she can get from any Inland Revenue Enquiry Centre or Tax Office. She will have to go on making claims, but we will send her claim forms for future years.

Example 4

Mary Brown is a single person aged 56. She has savings in a bank account, which have been registered so that her interest is paid gross (that is, without tax taken off). Her income includes a pension and dividends on shares. Her dividends are taxed at 10%.

Her income for 2000-2001 is as follows

Gross bank interest	£300		
Pension	£3,300		
Dividends and tax credits	£250	Tax credits	£25
Total income	£3,850		

As Mary's income is below her personal allowance figure of £4,385 interest can be paid gross. Tax credits cannot be claimed and there is no need for Mary to contact her Tax Office.

Example 5

Peter and Susan Brown are a married couple. Peter is 68 and works part-time. Susan is 62 and also works. They have a joint bank account, which pays gross interest of £1,200, from which the bank has taken off 20% in tax leaving them with £960. Peter earns £6,400. He also has half of the gross bank interest, £600, and half of the tax, £120, that the bank has already deducted.

Peter is entitled to the age-related personal allowance, of £5,790, and married couple's allowance because he was born before 6 April 1935. They have decided that the whole of the married couple's allowance should be set against Peter's income. See the reminder notes on page 34 for more information about allowances.

Peter's income is taxed as follows

Gross bank interest (that is, before tax is taken off)	£600	Tax taken off at 20%	£120
Plus wages	£6,400		
Peter's total income is	£7,000		
Less his personal allowance	£5,790		
Amount taxable	£1,210		
Tax due on £1,210 at 10%	£121		
Less married couple's allowance £5,185 at 10%	£518.50		
Amount of married couple's allowance unused (£518.50-£121)	£397.50		

Provided the bank will allow both net and gross account holders on the same account, Peter can fill in the Registration form R85, hand it in at his bank, and they will stop taking tax off half the interest. They may also be able to repay the tax already taken off Peter's half share of the interest in that year (£120).

If the bank can't repay the tax already taken off Peter's half share of the interest in that year, he should also fill in the Repayment Claim form R40(2000), which (with guidance notes on how to complete it) he can get from any Inland Revenue Enquiry Centre or Tax Office. He should send it to his Tax Office and he will get back the £120 taken off his half share of the interest.

Peter can also transfer the unused part of the married couple's allowance to Susan to set against her tax bill. Peter should contact his Tax Office to arrange this.

Susan has income of £10,000 in wages, plus half of the gross interest on her joint account with Peter, £600. Her personal allowance is £4,385, which she can set against her income as follows

Gross bank interest (that is, before tax is taken off)	£600	Tax taken off at 20%	£120
Plus wages	£10,000		
Susan's total income	£10,600		
Less her personal allowance	£4,385		
Amount taxable	£6,215		
Tax on £6,215 is			
• £1,520 at 10%	£152		
• £600 at 20%	£120		
• £4,095 at 22%	£900.90		
Total tax due	£1,172.90		
Less unused married couple's allowance from Peter	£397.50		
Susan's final tax bill	£775.40		
Less tax taken off bank interest	£120		
Tax to pay	£655.40		

The tax due will be collected from her earnings through PAYE.

Example 6

Ivor Jones is a married man aged 58. His wife is aged 55. Ivor works part-time as a butcher and also has some savings in a building society account. Ivor and his wife decided that the whole of the married couple's allowance should be set against Ivor's income in 1999-2000.

In 2000-2001, they are not entitled to the married couple's allowance since both of them are under 65. For more information about tax allowances see page 34. In both years, Ivor's earnings are £5,120. His gross building society interest is £500.

In 1999-2000, Ivor registered to get his building society interest paid gross (that is, with no tax taken off) because his taxable income was fully covered by his tax allowances (including the married couple's allowance). In that year his personal allowance was £4,335, which he set against his income as follows

Gross building society interest (that is, before tax is taken off)	£500		
Plus earnings	£5,120		
Total income	£5,620		
Less personal allowance	£4,335		
Amount taxable	£1,285	Tax due at 10%	£128.50
		Less married couple's allowance (£1,970 at 10%)	£197.00
		Unused married couple's allowance	£68.50

As the tax due on £1,285 was fully covered by the married couple's allowance, Ivor had no liability to tax in 1999-2000. The £68.50 unused balance of the married couple's allowance can be passed to Ivor's wife to set against her tax bill.

However, from 2000-2001, the married couple's allowance is withdrawn from couples who were both aged under 65 on 5 April 2000. This means Ivor has some tax to pay this year and needs to tell his building society to start deducting tax from his interest from 6 April 2000.

Ivor's liability in 2000-2001 is worked out as follows

Gross building society interest			
(that is, before tax is taken off)	£500	Tax deducted	£100
Plus earnings	£5,120		
Total income	£5,620		
Less personal allowance	£4,385		
Amount taxable	£1,235	Tax due at 10%	£123.50
		Less tax deducted	£100.00
		Tax still to pay	£23.50

The tax due of £23.50 will be collected from his earnings through PAYE.

Example 7

George is 62 and is married to Mary who is 70. George has a pension from his former employer of £6,000, from which no tax has been deducted. He also has £2,000 bank interest that has had tax taken off at 20%, leaving him with £1,600.

George is entitled to the personal allowance of £4,385 as he is under 65. He is also entitled to married couple's allowance, of £5,185 at 10%, because Mary was born before 6 April 1935, and they have decided that it should be set off against George's income. As his income is under £17,000, none of the age-related element of the married couple's allowance needs to be reduced.

Is George due any tax back in 2000-2001?

The approach we adopt is to set the personal allowance off against the pension first and then use as much as possible of the starting rate band of £1,520 against any remaining pension. This is more advantageous to George.

In this case the Employer's pension is £6,000. If we subtract the personal allowance from this it leaves £1,615. The whole of the starting rate band of £1,520 is used against this income leaving £95 to be taxed at basic rate. As the personal allowance and the starting rate band have now been used up the bank interest is taxed at the lower rate of 20%. George's income for 2000-2001 is calculated for tax as follows

Employer's pension	£6,000		
Less personal allowance	£4,385		
	£1,615	Tax on £1,615 is	
		• £1,520 at 10%	£152.00
		• £95 at 22%	20.90
Plus gross bank interest			
(that is, before tax is taken off)	£2,000	Tax taken off at 20%	£400.00
Taxable income	£3,615		£572.90
		Less married couple's allowance (£5,185 at 10%)	£518.50
			£54.40
		Less tax already paid	£400.00
		Tax overpaid	£345.60

George cannot ask for his bank interest to be paid gross, but he can complete the Repayment Claim form R40(2000), which (with guidance notes on how to complete it) he can get from any Inland Revenue Enquiry Centre or Tax Office.

Example 8

Henry is 68 and is married to Alice who is 66. Henry receives his state pension of £3,470 and also a pension from his former employer of £8,000, from which they deducted £548.70 in tax. He also has £2,000 bank interest, that has had tax taken off at 20%, leaving him with £1,600.

Henry is entitled to the age related personal allowance for someone aged between 65 to 74, of £5,790. He is also entitled to married couple's allowance of £5,185 at 10% as he was born before 6 April 1935. He and Alice have decided that it should be set against Henry's income. As his income is less than £17,000 none of the age-related element of his allowances needs to be reduced.

Is Henry due any tax back in 2000-2001?

In this case the pensions total £11,470. If we subtract the personal allowance from this it leaves £5,680. The whole of the starting rate band of £1,520 is used against this income leaving £4,160 to be taxed at basic rate. As the personal allowance and the starting rate band have been used up the bank interest is taxed at the lower rate of 20%. Henry's income is calculated for tax as follows

State pension	£3,470		
Employer's pension	£8,000		
	£11,470		
Less personal allowance	£5,790		
	£5,680	Tax on £5,680 is	
		• £1,520 at 10%	£152.00
		• £4,160 at 22%	£915.20
Plus gross bank interest			
(that is, before tax is taken off)	£2,000	Tax taken off at 20%	£400.00
Taxable income	£7,680		£1,467.20
		Less married couple's allowance (£5,185 at 10%)	£518.50
			£948.70
		Tax already paid	
		• bank interest	£400.00
		• employer's pension	£548.70
			£948.70

There is no repayment due to Henry as the tax he is due to pay balances the amount that he has already paid.

Example 9

Geoffrey is 68 and is married to Elizabeth who is 76. Geoffrey has a state pension of £3,470 and a pension from his former employer of £4,000. His former employer deducted no tax from the pension. He also has £2,000 worth of dividends from shares in UK companies, that bears a non payable tax credit, which can only be used to cover his income tax liability on the shares. The dividend income is taxed at 10% up to the basic rate limit, and at 32.5% above that.

Geoffrey is entitled to the age related personal allowance for someone aged between 65 and 74 of £5,790. Because Elizabeth is 76 he is also entitled to the rate of married couple's allowance for someone aged 75 or over of £5,255, which they have decided should be set against Geoffrey's income. As his income is less than £17,000, none of the age-related element of his allowances needs to be reduced.

Is Geoffrey due any tax back in 2000-2001?

In this case the pensions total £7,470. If we subtract the personal allowance from this it leaves £1,680. The whole of the starting rate band of £1,520 is used against this income leaving £160 to be taxed at basic rate. The dividend is taxed at the rate of 10%. So, Geoffrey's income is calculated for tax as follows

State pension	£3,470		
Employer's pension	£4,000		
	£7,470		
Less personal allowance	£5,790		
	£1,680	Tax on £1,680 is	
		• £1,520 at 10%	£152.00
		• £160 at 22%	£35.20
Plus dividends and tax credit	£2,000	Tax at 10%	£200.00
Taxable income	£3,680		£387.20
		Less married couple's allowance (£3,872 at 10%)	£387.20
			Nil

Geoffrey only needs £3,872 of the married couple's allowance to reduce his tax bill to Nil. He can transfer the unused balance of married couple's allowance, £1,383 (£5,255 - £3,872) at 10% = £138.30 to Elizabeth.

There is no repayment of tax due to Geoffrey.

Example 10

Stanley is 80 and is married to Jane who is 62. Stanley receives his state pension of £3,470 and also a pension from his former employer of £4,000, from which no tax has been deducted. He has £2,000 bank interest which has been taxed at 20% leaving him with £1,600. He also has £2,000 worth of dividends from shares in UK companies, which bears a non-payable tax credit that can only be used to cover his income tax liability on the shares.

Stanley is entitled to the age-related personal allowance for someone aged 75 or over, of £6,050. He can also receive the married couple's allowance for someone aged 75 or over, of £5,255 at 10%, which he and Jane have decided should be set off against Stanley's income. As his income is less than £17,000 none of the age-related element of his allowances needs to be reduced. See the reminder notes on page 34 for more information.

Is Stanley due any tax back in 2000-2001?

In this case the pensions total £7,470. If we subtract the personal allowance from this it leaves £1,420. This leaves £100 of the starting rate band to be set against his bank interest, leaving £1,900 to be taxed at the lower rate of 20% on savings. The dividend income is taxed at 10%.

State pension	£3,470			
Employer's pension	£4,000			
	£7,470			
Less personal allowance	£6,050			
	£1,420	Tax at 10%		£142.00
Plus gross bank interest				
(that is, before tax is taken off)	£2,000	Tax on £2,000 is		
		• £100 at 10%		£10.00
		• £1,900 at 20%		£380.00
Plus dividends and tax credit	£2,000	Tax at 10%		£200.00
Taxable income	£5,420			£732.00
		Less		
		• married couple's allowance (£5,255 at 10%)	£525.50	
		• tax credit	£200.00	£725.50
				£6.50
		Less tax already paid		£400.00
		Tax overpaid		£393.50

The married couple's allowance is deducted before the £200 non payable tax credit on his dividends.

Stanley is due tax back of £393.50 and should complete the Repayment Claim form R40(2000), which (with guidance notes on how to complete it) he can get from any Inland Revenue Enquiry Centre or Tax Office.

List of Inland Revenue Offices (IROs) dealing with Repayment Claim forms

AREA	INLAND REVENUE OFFICE
(former) Avon	St Austell 2
Bedfordshire	Bootle 1
Berkshire	St Austell 2
Buckinghamshire	Bootle 1
Cambridgeshire	Bootle 1
Cheshire	Glenrothes
(former) Cleveland	Bootle 1
Cornwall/Isles of Scilly	St Austell 2
Cumbria	Bootle 1
Derbyshire	Leicester 7
Devon	St Austell 2
Dorset	St Austell 2
Durham	Bootle 1
East Sussex	Belfast 7
Essex	Leicester 7
Gloucestershire	Belfast 7
Greater Manchester	Glenrothes
Hampshire	St Austell 2
Hereford/Worcester	Belfast 7
Hertfordshire	Leicester 7
(former) Humberside	Bootle 1
Isle of Wight	St Austell 2
Kent	Belfast 7
Lancashire	Bootle 1
Leicestershire	Leicester 7
Lincolnshire	Leicester 7

Merseyside	Bootle 1
Middlesex	Bootle 1
Norfolk	Leicester 7
Northamptonshire	Bootle 1
Northumberland	Bootle 1
North Yorkshire/York	Bootle 1
Nottinghamshire	Leicester 7
Oxfordshire	Belfast 7
Shropshire	Belfast 7
Somerset	St Austell 2
South Yorkshire	Leicester 7
Staffordshire	Belfast 7
Suffolk	Leicester 7
Surrey	Glenrothes
Tyne and Wear	Bootle 1
Warwickshire	Belfast 7
West Midlands	Belfast 7
West Sussex	St Austell 2
West Yorkshire	Leicester 7
Wiltshire	St Austell 2
Northern Ireland	Belfast 7
Scotland	Glenrothes
Wales	Belfast 7
London	
E1-18	Leicester 7
EC1-4	Leicester 7
N1-22	Leicester 7
NW1-11	Bootle 1
SE1-29	Glenrothes
SW1, 3, 5-7, 10, 13, 14, 19, 20	Bootle 1
SW2, 4, 8, 9, 11, 12, 15-18	Glenrothes
W1-14	Bootle 1
WC1 & 2	Bootle 1

Inland Revenue Offices (IROs) Address List

St Austell 2	Penhaligon House Trinity Street St Austell Cornwall PL25 5BA Tel: 01726 624200
Bootle 1	1st Floor The Triad Stanley Road Bootle Merseyside L69 9HB Tel: 0151 300 5000
Glenrothes	Saltire House Pentland Park Glenrothes Fife KY6 2AL Tel: 01592 222500
Leicester 7	Attenborough House 109-119 Charles Street Leicester LE1 1FY Tel: 0116 242 7349
Belfast 7	Dorchester House 52-58 Great Victoria Street Belfast BT2 7BB Tel: 028 9050 5000

Our service commitment to you

The Inland Revenue and Customs & Excise are committed to serving your needs well by

acting fairly and impartially

We
- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

communicating effectively with you

We aim to provide
- clear and simple forms and guidance
- accurate and complete information in a helpful and appropriate way.

providing good quality service

We aim to
- handle your affairs promptly and accurately
- be accessible in ways that are convenient to you
- keep your costs to the minimum necessary
- take reasonable steps to meet special needs
- be courteous and professional.

taking responsibility for our service

- We publish annually our customer service aims and achievements.
- If you wish to comment, or make a complaint, we want to hear from you so we can improve our service. We advise you how to do this.

We can provide better service if you help us by

- keeping accurate and up to date records
- letting us know if your personal/business circumstances change
- giving us correct and complete information when we ask for it
- paying on time what you should pay.

Further information on customer service is available at Inland Revenue and Customs and Excise local offices, set out in our Charters, complaints leaflets (IR120 and Notice 1000) and Codes of Practice.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

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